

Message Text

UNCLASSIFIED

PAGE 01 BONN 04443 01 OF 02 101826Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10
L-03 NSAE-00 PA-02 SP-02 SS-15 SSO-00 INRE-00
USIE-00 TRSE-00 EB-08 OMB-01 CEA-01 DOE-11 SOE-02
/075 W

-----059370 101921Z /64

O 101814Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 6660
WHITE HOUSE WASHDC IMMEDIATE

UNCLAS SECTION 01 OF 02 BONN 04443

E.O. 11652: N/A
TAGS: POL, ECON, GW, US
SUBJECT: CHANCELLOR SCHMIDT'S COMMENTS ON US-GERMAN
RELATIONS

FOLLOWING IS UNOFFICIAL TRANSLATION OF REMARKS MADE BY
CHANCELLOR SCHMIDT MARCH 9 BEFORE THE GERMAN
PARLIAMENT (BUNDESTAG). THESE REMARKS WERE AT THE
OUTSET OF HIS REPORT ON THE "STATE OF THE NATION",
DEALING PRIMARILY WITH INNER-GERMAN RELATIONS.
BEGIN TEXT

MR. PRESIDENT, LADIES AND GENTLEMEN: LET ME MAKE SOME
ADVANCE REMARKS ON THE CURRENT SITUATION. DURING THE
LAST QUARTER OF THE PAST YEAR WE HAD A GRATIFYINGLY HIGH
ECONOMIC GROWTH IN THE FEDERAL REPUBLIC OF GERMANY.
IF WE WERE TO MEASURE IT BY ANGLO-SAXON COMPUTATION
METHODS IT PROBABLY CORRESPONDED DURING THE LAST QUARTER
TO AN ANNUAL REAL RATE OF SIX PERCENT. THIS DEVELOP-
MENT IS PRIMARILY ATTRIBUTABLE TO THE FAVORABLE DOMESTIC
DEMAND IN WHICH THE EFFECTS OF AN EXPANSIVE GOVERNMENT
EXPENDITURES POLICY AND OF TAX CUTS ALREADY ARE CLEARLY
DISCERNIBLE. BUT IN THIS RESPECT THE EXTREMELY FAVOR-
ABLE FINANCING CONDITIONS--WE CURRENTLY HAVE THE MOST
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 04443 01 OF 02 101826Z

FAVORABLE INTEREST-RATE LEVEL IN THE POSTWAR PERIOD--
PLAYED AN ESSENTIAL ROLE AS WELL.

THE SUCCESS OF THIS STABILITY POLICY IS CONTINUING. THE
CONSUMER-PRICE INDEX OF FEBRUARY PROBABLY WILL SHOW AN
INCREASE OF THREE PERCENT DESPITE THE ADDED-VALUE TAX
INCREASE WHICH TOOK EFFECT TWO AND A HALF MONTHS AGO.

THE LAST TIME WE EXPERIENCED SUCH A LOW CONSUMER-PRICE RATE WAS IN MARCH 1970.

THIS DEVELOPMENT SHOULD MAKE US OPTIMISTIC ECONOMICALLY, WERE IT NOT FOR THE FACT THAT THE CURRENCY TROUBLES OF THE PAST FEW MONTHS HAVE CAUSED CONCERN. NO DOUBT THE DECLINE OF OTHER CURRENCIES IMPAIRS THE COMPETITIVE SITUATION OF THE GERMAN CURRENCY, AND ANY FURTHER IMPROVEMENT IN THE DM RATE AGGRAVATES THE STRUCTURAL PROBLEMS OF OUR EXPORTING ECONOMY AND OF OUR JOBS DEPENDENT ON EXPORTS, BE THEY IN THE STEEL INDUSTRY, IN SHIPBUILDING, IN AVIATION, OR EVEN IN THE MINING SECTOR.

IN THIS CONNECTION, WE ARE CONCERNED THAT THE REVALUATION OF THE GERMAN MARK SINCE THE SUMMER OF 1977 HAS GONE CONSIDERABLY BEYOND THE MEASURE WHICH WOULD HAVE BEEN IN KEEPING WITH A BALANCE IN THE INTERNATIONAL PRICE AND COST GAP, MEANING THE GAP BETWEEN THE FOREIGN COUNTRIES AND OURSELVES.

IN THIS CONTEXT I SHARE, WITHOUT ANY DOUBT, THE OPINION OF U.S. PRESIDENT CARTER WHO ASSESSES THE DOLLAR AS BEING CURRENTLY UNDERRATED. ON THE OTHER HAND A DAILY REFERENDUM ON OUR CURRENCY HAS BEEN TAKING PLACE FOR WEEKS AND MONTHS AT THE INTERNATIONAL EXCHANGES IN NEW YORK, IN TOKYO, IN ZURICH, IN LONDON--YOU NAME THEM--AND THIS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 04443 01 OF 02 101826Z

DAILY REFERENDUM HAS LED TO A POINT WHERE A GREAT DEAL OF CONFIDENCE IS BEING EXPRESSED THROUGHOUT THE WORLD IN THE GERMAN ECONOMY, ITS STABILITY, AND IN THE GERMAN CURRENCY.

THE HIGH DM RATE NATURALLY ALSO LEADS TO THE POSITIVE RESULT OF COST SAVINGS IN OUR COUNTRY, TO THE EXTENT THAT WE ARE DEPENDENT ON IMPORTS, ABOVE ALL ON THE RAW MATERIALS AND OIL SIDE. THE ACTUAL, REAL UPWARD REVALUATION OF OUR CURRENCY IS, HOWEVER, AS I SAID, PRESSING ABOVE ALL ON THE PRODUCTION AND THE EMPLOYMENT OF EXPORTING ENTERPRISES IN GERMANY, OF EXPORTING BRANCHES, AND ALSO ON PRODUCTION OF ENTERPRISES WHICH ARE EXPOSED TO STRONG FOREIGN COMPETITION ON OUR DOMESTIC MARKET. NO DOUBT THERE IS A CERTAIN DANGER HERE TO THE INCLINATION TO INVEST IN OUR ECONOMY WHICH, AS I ALREADY SAID, HAS CLEARLY RECUPERATED NEAR THE END

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 04443 02 OF 02 101831Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10
L-03 NSAE-00 PA-02 SP-02 SS-15 SSO-00 INRE-00
USIE-00 TRSE-00 EB-08 OMB-01 CEA-01 DOE-11 SOE-02
/075 W

-----059400 101920Z /64

O 101814Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 6661
WHITE HOUSE WASHDC IMMEDIATE

UNCLAS SECTION 02 OF 02 BONN 04443

OF LAST YEAR.

NEVERTHELESS, THE FEDERAL GOVERNMENT IS OPTIMISTIC THAT
THE U.S. GOVERNMENT WILL SUCCEED IN STABILIZING INTER-
NATIONAL CONFIDENCE IN THE U.S. CURRENCY. QUITE
DEFINITELY THE ADOPTION BY THE U.S. CONGRESS OF THE ENERGY
AUSTERITY PROGRAM SUBMITTED BY PRESIDENT CARTER DESERVES
SPECIAL SIGNIFICANCE IN THIS CONNECTION.

ON THE OTHER HAND, THE STABILIZATION OF CONFIDENCE IN
THE DEVELOPMENT OF THE WORLD ECONOMY IS NOT AT ALL
SOLELY AN AMERICAN PROBLEM, NOR SOLELY A TASK CON-
FRONTING THE UNITED STATES; IT IS A TASK ON WHICH ALL
INDUSTRIAL COUNTRIES, ABOVE ALL, MUST WORK. ONLY IN
JOINT RESPONSIBILITY WILL IT BE POSSIBLE AT LONG LAST
TO OVERCOME RECESSION, AND THIS IS WHY WE, AND
ESPECIALLY THE FEDERAL GERMAN BANK, PARTICIPATE IN THE
DEFENSE OF THE STRONG DOLLAR DEMANDED BY PRESIDENT
CARTER; AND WE SHALL PARTICIPATE IN THIS IN THE FUTURE
AS WELL.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 04443 02 OF 02 101831Z

IF I SAID A WHILE AGO THAT DURING THE LAST QUARTER OF
1977, CALCULATED AT AN ANNUAL RATE BY ENGLISH OR AMERI-

CAN STANDARDS, WE REACHED A GROWTH RATE OF 6 PERCENT, THEN THIS NATURALLY WAS A VERY GOOD SHOWING. BUT INTERNATIONAL COMPARISONS IN THIS FIELD SHOULD NOT BE EXAGGERATED. THE FACT THAT ONCE THIS COUNTRY AND NEXT TIME THE OTHER HAS A GROWTH LEAD MUST NOT YET MEAN A LOT. AND THERE IS PARTICULARLY LITTLE SENSE IN MUTUALLY RAISING DEMANDS BY ONE SIDE OR THE OTHER ON THIS BASIS. THIS MAY LEAD TO MISUNDERSTANDINGS AND IS NOT SUITED TO IMPROVE THE CLIMATE. I AM EMPHASIZING THIS POINT BECAUSE IN REALITY WE ARE IN CONFORMITY WITH THE UNITED STATES, QUITE TO THE CONTRARY OF HOW MANY NEWS-PAPERS ON THIS SIDE OF THE OCEAN OR BEYOND HAVE JUDGED AND REPRESENTED THE MATTER. THE CONFORMITY OF VIEWS OF WHICH I AM SPEAKING ALSO RELATES, FOR EXAMPLE, TO THE DETERMINED STRUGGLE OF BOTH GOVERNMENTS AGAINST TRADE-POLICY PROTECTIONISM. BOTH ADVOCATE AN EARLY, SUCCESSFUL CONCLUSION OF THE CURRENT GATT ROUND IN GENEVA. THE CONFORMITY OF VIEWS ALSO RELATES, FOR EXAMPLE, TO THE INTERNATIONAL ENERGY POLICY AND TO THE ENERGY-SAVING POLICY; I NEED NOT GO INTO IT ANY FURTHER. IT ALSO RELATES, FOR EXAMPLE, TO THE MANY FIELDS OF NORTH-SOUTH POLICY IN WHICH WE PROCEED IN CLOSE COORDINATION WITH THE GOVERNMENT OF THE UNITED STATES.

TO THIS I WANT TO ADD SOME BASIC REMARKS. IN SOME REPORTS OVER THE PAST FEW MONTHS, FAR-REACHING SPECULATIONS ON AN ALLEGED CHANGE IN OUR RELATIONS WITH THE UNITED STATES HAVE UNFORTUNATELY BEEN MADE HERE AND THERE. SPECULATIONS WHICH, THOUGH NOT GENERALLY SHARED, STILL ARE WORTH REJECTING.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 04443 02 OF 02 101831Z

I WANT TO STATE THE FOLLOWING. NOBODY WHO REALLY KNOWS THE FEDERAL REPUBLIC OF GERMANY, AND CERTAINLY NONE OF US, WOULD SHARE SUCH A JUDGMENT, LEST HE INTEND TO DO SOME DAMAGE. IN OUR COMMON INTEREST WE ARE PURSUING A POLICY THAT WILL HELP TO OVERCOME THE PRESENT DIFFICULTIES IN THE WORLD TOGETHER WITH THE UNITED STATES. I AM STRESSING AGAIN THAT THIS IS HAPPENING ON THE BASIS OF COMMON INTERESTS. WE GERMANS, BECAUSE OF OUR INTERESTS, DEPEND EVEN MORE ON THE AMERICAN PARTNER THAN HE, BECAUSE OF HIS INTERESTS, IS DEPENDENT ON US. HOW ELSE WOULD IT HAVE BEEN POSSIBLE AT ALL THIS MORNING TO OUTLINE A POSITIVE PICTURE OF THE STATE OF THE NATION?

THE BASIS OF OUR FRIENDSHIP ARE THE HISTORICAL, INTELLECTUAL, AND HUMAN TIES, AND FAR-REACHING IDENTITY OF OUR

POLITICAL AND SOCIAL VALUES. THE MORAL BASIS OF
GERMAN-AMERICAN TIES CANNOT BE CHANGED BY TEMPORARY
EXCHANGE RATE VARIATIONS. GERMAN-AMERICAN CONSENSUS
CANNOT BE SHAKEN BY SUCH THINGS.

END TEXT

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, SPEECHES, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN04443
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780108-0865
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780384/aaaactgy.tel
Line Count: 230
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 20b7acc9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3378567
Secure: OPEN
Status: NATIVE
Subject: CHANCELLOR SCHMIDT'S COMMENTS ON US-GERMAN RELATIONS FOLLOWING IS UNOFFICIAL TRANSLATION OF REMARKS
MAD
TAGS: MPOL, ECON, PINT, PEPR, GE, US, (SCHMIDT, HELMUT)
To: STATE WHITE HOUSE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/20b7acc9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014